IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

IN THE MATTER OF THE REHABILITATION OF CENTAUR INSURANCE COMPANY

NO. 87 CH 8615

NOTICE OF MOTION

To: See Attached Service List

On 8/5/19, at 10:00 or as soon thereafter as counsel may be heard, I shall appear before the Honorable Judge Sophia H. Hall or any Judge sitting in that Judge's stead, in the courtroom usually occupied by him/her, located in room 2301 of the Richard J. Daley Center, Chicago, Illinois, and present the attached petition at which time you may appear.

Name	Dale A. Coonrod	Atty. No.	16819
Address	222 Merchandise Mart Plaza, Suite 960	Attorney for	Rehabilitator
Telephone	312-836-9500	City/Zip	Chicago, IL 60654

PROOF OF SERVICE BY DELIVERY

I, _____, the attorney/non attorney* certify that on the _____ day of _____, I served this notice by delivering a copy personally to each person to whom it is directed.
(*strike one)

Under penalties as provided by law pursuant to 735 ILCS 5/1-109
I certify that the statements set forth herein are true and correct.

Date _____

_____
Signature/Certification

PROOF OF SERVICE BY MAIL

I, Venesha Lee, the non attorney* certify that I served this notice by mail
(*strike one)

a copy to each party listed at their respective addresses
(address on envelope)

and depositing the same in the U.S. Mail at Merchandise Mart Plaza, Suite 960, Chicago, Illinois
(place of mailing)

at, or before, 4:30 p.m. on the 19th day of July, 2019, with proper postage prepaid.

Under penalties as provided by law pursuant to 735 ILCS 5/1-109
I certify that the statements set forth herein are true and correct.

Date July 19, 2019

Venesha Lee
Signature/Certification

NOTE: If more than one person served by mail, additional proof of service may be on the reverse side.

Copy received _____, _____, at _____ a.m./p.m.

_____

SERVICE LIST

CENTAUR INSURANCE COMPANY
(Case No. 87 CH 08615)

Robert N. Hermes
Butler, Rubin, Saltarelli
& Boyd LLP
321 North Clark
Suite 400
Chicago, Illinois 60654
rhernes@butlerrubin.com

David E. Schoenfeld
Shook Hardy & Bacon L.L.P.
111 South Wacker Drive
Suite 5100
Chicago, Illinois 60606
dschoenfeld@shb.com

COURTESY COPY TO:

Eric Jepsen
Assistant Vice President
Assumed Reinsurance Division
The Tokio Marine & Fire Insurance Company Ltd (U.S. Branch)
c/o Resolute Management Inc.
1000 Washington Street, Fourth Floor
Boston, Massachusetts 02118-6100

Denis M. Davidson
Dorinco Reinsurance Company
1320 Waldo Avenue
Midland, Michigan 48642

The Honorable Judge Sophia H. Hall
Room 2301
The Richard J. Daley Center
50 West Washington Street
Chicago, Illinois 60602

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

IN THE MATTER OF THE REHABILITATION) 5837006
OF CENTAUR INSURANCE COMPANY) NO. 87 CH 8615

PETITION FOR APPROVAL OF CERTAIN CLAIM RECOMMENDATIONS AND APPROVAL OF A DISTRIBUTION OF CENTAUR ESTATE ASSETS IN PAYMENT THEREOF

NOW COMES Robert H. Muriel, Director of Insurance of the State of Illinois ("Rehabilitator" or "Director"), in his capacity as Rehabilitator of Centaur Insurance Company ("Centaur"), by and through one of his attorneys, and petitions this Honorable Court for the entry of an order: (i) approving the recommended allowance of the claims set forth below, and (ii) approving a distribution of Centaur estate assets in payment of such claims; and in support thereof states as follows:

BACKGROUND

1. On September 4, 1987, this Court entered an Agreed Order of Rehabilitation as to and against Centaur pursuant to Article XIII of the Illinois Insurance Code (the "Code"), 215 ILCS 5/187, *et seq*. Said Order, by its terms, appointed the then Director of Insurance of the State of Illinois, and his successors in office, as Rehabilitator of Centaur and authorized the Director to take such actions as the nature of the cause and the interests of the policyholders and creditors of Centaur, and the public, may require.

2. On May 13, 1988, the Court entered in this cause a Revised Plan of Rehabilitation ("Revised Plan") pursuant to Section 192(4) of the Code, 215 ILCS 5/192(4). Under the Revised Plan, Centaur continued to honor its policy obligations to its direct insureds in respect to claims and actions brought against them by third parties; paid all incurred loss adjustment expenses, including defense attorney's fees; paid all settlements of such claims and paid all final judgments issued upon the merits of such claims or actions made by courts of competent jurisdiction.

3. What remained after the satisfaction of the majority of Centaur's direct claim liabilities, was the run-off of the long-tail claims of Centaur's insureds. Long-tail claims arise from a single incident or multiple incidents which may cause injuries which do not manifest for a number of years. Long-tail claims include environmental impairment/pollution claims and various toxic tort and mass tort claims such as asbestos, silica and products liability claims. In order to facilitate a closure of the Centaur rehabilitation proceedings, it became necessary to take some action, other than allowing the long-tail claims to run-off in the normal course, to resolve Centaur's claim exposure and related policy obligations. In this regard, on August 16, 1999, the Court approved the Rehabilitator's Policy Buy-Out Plan ("Buy-Out Plan"), which authorized and directed the Rehabilitator to seek policy buy-out/buy-back agreements with Centaur's direct policyholders who had or may have had long-tail exposure claims.

4. The Rehabilitator's efforts under the Buy-Out Plan resulted in agreed policy buy-outs with twenty (20) insureds who had reported numerous claims under one or more Centaur policies. These settlements resulted in payments to the insureds in return for a full release and cancellation of their subject policies; thus precluding the assertion of any further claims against Centaur.

5. Upon the conclusion of the Buy-Out Plan, the Rehabilitator recommended that the Court set bar dates for: (a) the filing of claims against Centaur, and (b) the liquidation of any contingent claims against Centaur. This recommendation was set forth in the Rehabilitator's Second Revised Plan of Rehabilitation ("Second Revised Plan"). On December 8, 2000, the Court entered an order approving the Rehabilitator's Second Revised Plan. In accordance with the Second Revised Plan, Centaur no longer provided defenses to its insureds and ceased paying insureds' claims on an ongoing basis.

6. Also on December 8, 2000, the Court entered a separate order approving certain claim filing procedures ("Claim Procedure Order"). The Court's Claim Procedure Order specified March 30, 2001 as the last day by which a Proof of Claim may be filed by persons and/or entities who have, or may have, claims against Centaur, its property or assets, or against a Centaur insured or policyholder, for the purposes of participating in any future distribution of Centaur's assets. Notice of the claim filing deadline and claim filing procedures was given to all known potential claimants.

7. Pursuant to Section 209(4) of the Code, 215 ILCS 5/209(4), any insured under an insurance policy issued by Centaur shall have the right to assert contingent claims, subject to the claim filing deadline. In this regard, the Court's Claim Procedure Order set October 1, 2001, as the date by which all timely filed contingent claims were to be liquidated and made certain by the presentation of evidence of payment of any such claims. Any contingent claim which was received by the claim filing deadline, but which was not liquidated by October 1, 2001, could be estimated pursuant to Section 209(4)(b) of the Code, 215 ILCS 5/209(4)(b).

8. Section 209(12) of the Code, 215 ILCS 5/209(12), provides:

> The Director shall review all claims duly filed in the liquidation, rehabilitation, or conservation proceeding, unless otherwise directed by the court, and shall make such further investigation as he considers necessary. The Director may compound, compromise, or in any other manner negotiate the amount for which claims will be recommended to the court. Unresolved disputes shall be determined under subsection (11).

Section 209(11)(a) of the Code, 215 ILCS 5/209(11)(a), provides:

> When the Director denies a claim or allows a claim for less than the amount requested by the claimant, written notice of the determination and of the right to object shall be given promptly to the claimant or the claimant's representative by first class mail at the address shown on the proof of claim. Within 60 days from the mailing of the notice, the claimant may file his written objections with the Director. If no such filing is made on a timely basis, the claimant may not further object to the determination.

Sections 209(13)(a) and (b) of the Code, 215 ILCS 5/209(13)(a) and (b), provide:

(a) The Director shall present to the court reports of claims reviewed under subsection (12) with his recommendations as to each claim.

(b) The court may approve or disapprove any recommendations contained in the reports of claims filed by the Director, except that the Director's agreements with claimants shall be accepted as final by the court on claims settled for $10,000 or less.

9. On November 13, 2006, the Court entered an order, upon the petition of the Rehabilitator, approving a one hundred percent (100%) first dividend on all outstanding claims allowed and approved by the Court for distribution at statutory priority levels 215 ILCS 5/205(1)(d) and 215 ILCS 5/205(1)(e), and authorizing the Rehabilitator to make payment on all such claims, as well as those claims which might be recommended for allowance and approved by the Court in the future.[1]

10. Since the inception of these receivership proceedings (September 4, 1987), the total amount paid by the Rehabilitator for loss liabilities and loss adjustment expense at statutory priority levels 215 ILCS 5/205(1)(d) and 5/205(1)(e) is approximately One Hundred Thirty One Million One Hundred Forty Three Thousand Five Hundred Dollars ($131,143,500). This amount includes the claims and loss adjustment expenses which were previously paid by the Rehabilitator under the Revised Plan of Rehabilitation (approx. $53,300,000), the amounts paid by the Rehabilitator to the insureds that participated in the 1999 Policy Buy-Out Plan ($12,076,000) and amounts paid under the Court's November 2006 First Dividend and Distribution Order ($65,767,500). As previously reported, all of Centaur's direct policyholder level claims have been fully and finally adjudicated and have been paid in full (100%).[2] All previously asserted objections to certain of the Rehabilitator's claim determinations have been resolved, either by agreement or

[1] Statutory priority level (d) claims, 215 ILCS 5/205(1)(d), are claims by policyholders, beneficiaries and insureds under insurance policies, and liability claims asserted against insureds by third-parties covered under insurance policies issued by the company. Priority level (e) claims are claims by policyholders, beneficiaries, and insureds, the allowed values of which were determined by estimation under paragraph (b) of subsection (4) of Section 209 [215 ILCS 5/209].

[2] The referenced claims in paragraph (10) do not include the claims of the federal government which will be addressed separately herein.

by court order(s) after hearing(s). The claim filing deadline established by order of the Court [March 30, 2001] has long passed.

11. In addition to the priority level (d) and (e) policyholder claims, the Rehabilitator also received Proofs of Claim from certain ceding companies ("reinsureds" or "cedents") whom Centaur had reinsured. A ceding company is an insurance company that underwrites risk on policies issued to its direct insureds and then "cedes" (reinsures) a portion of that risk (and any losses arising thereunder), along with a portion of the underlying premium, to an assuming reinsurer under contracts or treaties of reinsurance. All of the Centaur cedent claims have been adjudicated in accordance with Section 209 of the Code, *supra*, the Revised Plan of Rehabilitation, the Second Revised Plan of Rehabilitation and/or the Claim Procedure Order. Some of the claims were denied, while others were recommended for approval in varying amounts. There were several objections, but all were ultimately resolved. All of the Rehabilitator's recommendations as to the assumed cedent claims have been approved by the Supervising Court. The total amount of approved cedent claims in the Centaur estate is One Hundred Seven Million One Hundred Forty Two Thousand Four Hundred Eighty Seven Dollars ($107,142,487).[3] All of these reinsurance claims are, by law, general creditor claims. For purposes of distribution of estate assets, these claims are deemed priority level (g) claims [215 ILCS 5/205(1)(g)].[4] In the distribution of estate assets under Section 205, 215 ILCS 5/205, all claims in any given priority level must be satisfied in full (100%) before there is any distribution at the next (lower) priority level. These general

[3] There may be certain Centaur claims against its ceding reinsureds which will slightly reduce (offset) Centaur's total liability to the cedent claimants. It is currently projected that such offsets may reduce Centaur's assumed reinsurance liabilities by as much as $4,233,266.

[4] Statutory priority level (g) claims, 215 ILCS 5/205(1)(g), are claims of general creditors not falling within any other priority.

creditor claimants have not, to date, participated in any distribution of Centaur assets under the Revised Plan of Rehabilitation, the Second Revised Plan of Rehabilitation or the Court's First Dividend and Distribution Order.

CLAIMS OF THE UNITED STATES FEDERAL AGENCIES

12. Currently, the only remaining open unresolved issues facing the Rehabilitator is the impact of potential federal government claims on the winding down of Centaur's rehabilitation proceeding. In August 2008, the Rehabilitator requested a release from the United States government [Department of Justice] relating to any claims the federal government might assert against Centaur and a release from any present or future responsibility under the federal "super-priority" statue [31 U.S.C. §3713]. The release is needed so that the Rehabilitator might effectuate a distribution in regards to the priority level (g) claimants with allowed and court approved claims [215 ILCS 5/205(1)(g)]. Claims of the federal government are accorded priority level (f) status in the statutory distribution scheme [215 ILCS 5/205(1)(f)] which must be addressed before the priority level (g) claims can be paid.

13. In April 2011, a response from the federal government was received. The Department of Justice ("DOJ") advised the Rehabilitator that it was, unfortunately, unable to provide the Section 3713, *supra*, release because of numerous existing and contingent federal claims against Centaur and its insureds who may be liable under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), 42 U.S.C. § 9607, in connection with certain environmental Superfund Sites. Included in the government's response

was a list of numerous contingent Environmental Protection Agency ("EPA") claims relating to over a hundred different environment waste sites involving scores of Centaur insureds who might have been, or are, potential responsible parties. Over time, the government drastically narrowed the list of potential claims to what is now a handful of Superfund Sites involving only three Centaur insureds. One of those claims has been resolved and a settlement agreement approved by the Court, as will be more fully described below. The settlements of the remaining claims are the subject of this petition, for which Court approval is being sought, also to be addressed below.

THE UNITED STATES ENVIRONMENTAL PROTECTION AGENCY LCP CHEMICALS CLAIMS

14. On or about June 30, 2013, the EPA filed a formal proof of claim in the Centaur rehabilitation proceeding seeking coverage under a general liability excess umbrella policy issued by Centaur to its insured LCP Chemicals & Plastics, Inc. ("LCP Chemicals"). The EPA's claim was in connection with the [alleged] liability of LCP Chemicals under CERCLA at the LCP Chemicals Superfund Site located in Brunswick, Georgia. On February 13, 2015, the EPA informed the Rehabilitator that Centaur was also potentially liable under the LCP Chemicals Policy in connection with the [alleged] liability of LCP Chemicals under CERCLA at other Superfund Sites including, without limitation, the Hanlin-Allied Olin Superfund Site in Moundsville, West Virginia and the LCP Chemicals Superfund Site in Linden, New Jersey (collectively the "EPA LCP Chemicals Claim"). The EPA sought the full LCP Chemicals Policy limits ($10 million).

15. The Rehabilitator and the EPA/DOJ had to address numerous complex issues concerning the EPA LCP Chemicals Claim, including, *inter alia*: choice of law issues; allocation of loss issues; joint and severable liability issues; statutory priority of asset distribution issues; application of claim filing bar dates to the federal government; the applicability of policy buy-out agreements as to third-parties generally and specifically as to governmental entities; and the applicability of the federal super-priority statue [31 U.S.C. §3713] in a rehabilitation proceeding.

16. After several years of extensive negotiation between the parties, the Rehabilitator and the EPA/DOJ reached an agreement in resolution of the EPA LCP Chemicals Claim. The Rehabilitator and the EPA agreed upon a recommended allowance of the EPA LCP Chemicals Claim in the amount of Eight Million Seven Hundred Fifty Thousand Dollars ($8,750,000). The EPA LCP Chemicals Claim was recommended for allowance at statutory priority level (f), 215 ILCS 5/205(1)(f), for purposes of participating in the distribution of Centaur's estate assets, subject to the approval of the Supervising Court.[5] The Court did, in fact, approve the settlement by order dated July 12, 2017. Shortly thereafter, with the authority granted the Rehabilitator by said order, the EPA LCP Chemicals Claim settlement was paid to the federal government out of Centaur's estate assets.

[5] It should be noted that the United States did not object to the classification of the EPA LCP Chemical Claim at statutory priority level (f), *id.*; provided, however, that the United States and EPA do not waive, and therefore reserves, the right to assert a different priority classification with respect to other federal claims against Centaur and federal claims in other insurance company receiverships.

THE UNITED STATES'
REMAINING ENVIRONMENTAL CERCLA CLAIMS

17. On November 17, 2017, the United States, acting by and through the U.S. Department of Justice, filed a Proof of Claim in the Centaur rehabilitation proceeding on behalf of the **Environmental Protection Agency** ("EPA"), the **United States Department of the Interior** ("DOI"), and the **National Oceanic and Atmospheric Administration** of the Department of Commerce ("NOAA"), concerning the claims of the EPA, DOI and/or NOAA against Centaur under the following policies: (a) excess umbrella liability policy issued to **LCP Chemicals & Plastics, Inc.** ("LCP Chemicals"), Policy No. CML 101029, Policy Term: August 1, 1982 to August 1, 1983, Policy Limit: $10,000,000 (the "LCP Policy");[6] (b) excess umbrella policies issued to **Avtex Fibers, Inc.** ("Avtex Fibers"), including Policy No. CML 101001, Policy Term: November 1, 1980 to August 1, 1981, Policy Limit: $5,000,000 and Policy No. CML 101016, Policy Term: August 1, 1981 to August 1, 1982, Policy Limit: $5,000,000 (the "Avtex Policies"); and (c) excess umbrella policy issued to **Sharon Steel Corporation** ("Sharon Steel"), Policy No. PL 00541, Policy Term January 1, 1980 to October 1, 1980, Policy Limit $500,000 ("Sharon Steel Policy") (collectively the "Subject Policies").

18. The federal government's claim is in the amount of $11,750,000, which includes: (a) a claim of the remaining $1,250,000 policy limits under the LCP Policy with respect to the [alleged] liability of LCP Chemicals to the DOI and NOAA under Section 107 of CERCLA, 42 U.S.C. § 9607, for natural resource damages in connection with the LCP Chemicals Superfund

[6] The LCP Policy is the same policy that was the subject of the EPA LCP Chemicals Claim (Paragraph 14 herein).

Site in Linden, New Jersey,[7] (b) a claim of $10,000,000 under the Avtex Fibers Policies with respect to the [alleged] liability of Avtex Fibers to the EPA and DOI under Section 107 of CERCLA, 42 U.S.C. § 9607, for response costs and natural resource damages in connection with the Avtex Fibers Superfund Site in Front Royal, Virginia,[8] and (c) a claim of $500,000 under the Sharon Steel Policy with respect to the [alleged] liability of Sharon Steel to the EPA under Section 107 of CERCLA, 42 U.S.C. § 9607, for response costs in connection with the Sharon Steel (Farrell Works Disposal Area) Superfund Site in Farrell and Hermitage, Pennsylvania[9] (collectively the "2017 Claims").

19. As with the previous LCP Chemicals Brunswick, Georgia CERCLA claim, the Rehabilitator and the Department of Justice engaged in extensive discussion and negotiation involving multiple issues in regards to the three asserted claims.

20. In November 2018, after a year of negotiation, the Rehabilitator, the EPA, DOI, and NOAA, reached an agreement as to the final settlement of the 2017 Claims ("Settlement Agreement"). A copy of the Settlement Agreement is attached hereto as Exhibit A. Pursuant to the Settlement Agreement, the Rehabilitator has agreed to recommend the allowance of the 2017 Claims in the total amount of Six Million Five Hundred Thousand Dollars ($6,500,000) pursuant to, and in accordance with, Section 209 of the Illinois Insurance Code, 215 ILCS 5/209, subject to

---

[7] LCP Chemicals operated a chlorine manufacturing plant at the Linden site.

[8] Avtex Fibers operated a rayon manufacturing facility at the Front Royal site.

[9] Sharon Steel manufactured steel products at the Sharon Steel Farrell Works plant, located across the Shenango River to the northeast of the Farrell Works site. Sharon Steel used the area which is now the Farrell Works site to dispose of certain types of waste from its operations at the Farrell Works plant.

the approval of the Supervising Court. Centaur will classify and recommend the allowance of the 2017 Claims to the Supervising Court at statutory level (f) of the Illinois priorities of distribution statute [215 ILCS 5/205(1)(f)]. If the Supervising Court grants such approval, the 2017 Claims shall be allowed and fixed in said amount for purposes of participating in any distribution of Centaur's estate assets at statutory priority level (f), *id.*[10]

21. Of the total allowed amount of $6,500,000, $1,000,000 shall be paid with respect to the LCP Policy, $5,000,000 shall be paid with respect to the Avtex Fibers Policies, and $500,000 shall be paid with respect to the Sharon Steel Policy.

22. Section 209(12) of the Code, 215 ILCS 5/209(12), authorizes the Director to compound, compromise, or in any other manner negotiate the amount for which claims will be recommended to the Court.

23. By agreeing to the recommend allowance of the 2017 Claims as stated above, the Rehabilitator shall save the time and expense associated with any further activity relating to the evaluation of the 2017 Claims, which would necessarily include, *inter alia*, additional discovery, potential expert expenses, and a hearing before the Court on the merits of the 2017 Claims, the outcome of which would be uncertain. Based upon his review of all attendant circumstances, the

[10] The Settlement Agreement contains several conditions precedent, all of which have been met. The Rehabilitator has "lodged" the agreement with the Supervising Court. The United States has published a notice of the settlement in the Federal Register for public comment. After the conclusion of the public comment period, the United States notified the Rehabilitator that no comments had been filed and that the United States was going forward with the agreement.

Rehabilitator has determined that it is prudent, economically and otherwise, to agree to the settlement of the 2017 Claims as set forth above.

24. Applying the standard set out by the Illinois Supreme Court in *People ex rel. Wilcox v. Equity Funding Life Ins. Co.*, 61 Ill.2d 303 (1975), as adopted by the Supervising Court in its decision, dated June 12, 2007, issued in the Centaur/J.T. Thorpe Claim settlement matter, the Rehabilitator hereby avers and represents that the agreed upon allowance and settlement of the 2017 Claims set forth herein is fair, reasonable and adequate; and that it is beneficial to and in the best interests of all those who will be affected by it, including the insured, the other creditors of the Centaur estate, the Centaur receivership estate itself and, even though they may argue otherwise, Centaur's reinsurers who will be asked to pay their respective proportionate share of the settlement amount.[11] The resolution of the 2017 Claims, which has been negotiated and settled in good faith, will also promote judicial economy.

25. Accordingly, for the reasons stated herein, the Rehabilitator recommends to the Court that the 2017 Claims be allowed as stated.

WHEREFORE, Robert H. Muriel, Director of Insurance of the State of Illinois, as Rehabilitator of Centaur Insurance Company, requests that this Honorable Court enter an order approving the Settlement Agreement and the recommended allowance of the federal government's 2017 Claims in the total amount of Six Million Five Hundred Thousand Dollars ($6,500,000) for purposes of participating in the distribution of Centaur's estate assets at priority level (f) of the

[11] Centaur's affected reinsurers have been given due notice of this petition and of the hearing date scheduled for the presentation thereof.

statutory asset distribution schedule [215 ILCS 5/205(1)(f)]. Further, the Rehabilitator requests that the Court enter an order approving and authorizing a distribution of Centaur estate assets at priority level (f), *id.*, in order to effectuate payment, in full (100%), of the 2017 Claims.

Respectfully submitted,

ROBERT H. MURIEL
Director of Insurance of the State of Illinois, as
Rehabilitator of Centaur Insurance Company

BY: _____
One of His Attorneys

J. Kevin Baldwin
Dale A. Coonrod
dcoonrod@osdchi.com
Counsel to the Receiver
222 Merchandise Mart Plaza, Suite 960
Chicago, Illinois 60654
(312) 836-9500
Attorney Code #16819

EXHIBIT

A

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

IN THE MATTER OF THE REHABILITATION)
OF CENTAUR INSURANCE COMPANY) NO. 87 CH 8615

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement"), is hereby made by and entered into between Robert H. Muriel, Acting Director of the Illinois Department of Insurance, in his capacity as the statutory and court-affirmed Rehabilitator ("Rehabilitator") of Centaur Insurance Company ("Centaur"), and the United States of America ("United States") (the "Parties"), on behalf of the Environmental Protection Agency ("EPA"), the United States Department of the Interior ("DOI"), and the National Oceanic and Atmospheric Administration of the Department of Commerce ("NOAA"), acting by and through the U.S. Department of Justice, concerning the claims of EPA, DOI and/or NOAA against Centaur under the following policies: (a) excess umbrella liability policy issued to LCP Chemicals & Plastics, Inc. ("LCP Chemicals"), Policy No. CML 101029, Policy Term: August 1, 1982 to August 1, 1983, Policy Limit: $10,000,000 (the "LCP Policy"); (b) excess umbrella policies issued to Avtex Fibers, Inc. ("Avtex Fibers"), including Policy No. CML 101001, Policy Term: November 1, 1980 to August 1, 1981, Policy Limit: $5,000,000 and Policy No. CML 101016, Policy Term: August 1, 1981 to August 1, 1982, Policy Limit: $5,000,000 (the "Avtex Fibers Policies"); and (c) excess umbrella policy issued to Sharon Steel Corporation ("Sharon Steel"), Policy No. PL 00541, Policy Term January 1, 1980 to October 1, 1980, Policy Limit $500,000 ("Sharon Steel Policy") (collectively the "Subject Policies").

I. Background

1. On September 4, 1987, the Circuit Court of Cook County, Illinois ("Supervising Court") entered an Agreed Order of Rehabilitation against Centaur (Case No. 87 CH 8615). That order appointed the Director of Insurance of the State of Illinois as the Rehabilitator of Centaur. Centaur is currently operating under a Second Revised Plan of Rehabilitation approved by the Supervising Court on December 8, 2000.

2. In accordance with the court-approved Plan of Rehabilitation, Revised Plan of Rehabilitation and Second Revised Plan of Rehabilitation, Centaur's direct policy obligations asserted by policyholders, which were classified as level (d) and (e) claims, were paid as they came due, while general creditor obligations were fixed but not paid.

3. Under the Second Revised Plan of Rehabilitation, a bar date of March 30, 2001 was established by the Supervising Court for the presentation of claims, and a deadline of October 1, 2001 was established for the liquidation of contingent claims.

4. The adjudication and payment-in-full of priority level (d) and (e) claims filed on or before March 30, 2001 was completed in January 2011. During the course of the rehabilitation proceedings, $131,143,500 in priority level (d) and (e) policyholder claims and defense obligations have been discharged.

5. On or about June 30, 2013, EPA filed a proof of claim in the Centaur rehabilitation proceeding seeking coverage under the LCP Policy in connection with the liability of LCP Chemicals under Section 107 of the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), 42 U.S.C. § 9607, at the LCP Chemicals Superfund Site located in Brunswick, Georgia ("Brunswick Claim"). The Rehabilitator assigned claim number 14303 to the Brunswick Claim. On February 13, 2015, EPA informed the

Rehabilitator that Centaur was also potentially liable under the LCP Policy in connection with the liability of LCP Chemicals under Section 107 of CERCLA, 42 U.S.C. § 9607, at other Superfund sites including, without limitation, the Hanlin-Allied Olin Superfund Site in Moundsville, West Virginia and the LCP Chemicals, Inc. Site in Linden, New Jersey ("LCP Linden Site") (collectively, with the Brunswick Claim, the "EPA LCP Claims").

6. On July 12, 2017, the Supervising Court approved a Settlement Agreement that resolved the EPA LCP Claims. Under that Settlement Agreement, the Rehabilitator agreed to pay EPA $8,750,000, to be allocated $2,916,667 with respect to the liability of LCP Chemicals at the LCP Superfund Site in Brunswick, Georgia, $2,916,667 with respect to the liability of LCP Chemicals at the Hanlin-Allied-Olin Superfund Site in Moundsville, West Virginia, and $2,916,666 with respect to the liability of LCP Chemicals at the LCP Linden Site. On July 31, 2017, the Rehabilitator made the $8,750,000 payment.

7. On November 17, 2017, the United States filed a proof of claim in the amount of $11,750,000, which included: (a) a claim of $1,250,000 under the LCP Policy with respect to the liability of LCP Chemicals to DOI and NOAA under Section 107 of CERCLA, 42 U.S.C. § 9607, for natural resource damages in connection with the LCP Linden Site, (b) a claim of $10,000,000 under the Avtex Fibers Policies with respect to the liability of Avtex Fibers to EPA and DOI under Section 107 of CERCLA, 42 U.S.C. § 9607, for response costs and natural resource damages in connection with the Avtex Fibers, Inc. Superfund Site in Front Royal, Virginia ("Avtex Fibers Site"), and (c) a claim of $500,000 under the Sharon Steel Policy with respect to the liability of Sharon Steel to EPA under Section 107 of CERCLA, 42 U.S.C. § 9607, for response costs in connection with the Sharon Steel Corporation (Farrell Works Disposal

Area) Superfund Site ("Sharon Steel Site") in Farrell and Hermitage, Pennsylvania (the "2017 Claims").

II. Claim Allowance and Covenant Not to Sue

8. The Rehabilitator and EPA, DOI, and NOAA, hereby agree to the final settlement of the 2017 Claims, as provided in Paragraphs 8-15 of this Agreement, and to recommend the 2017 Claims for allowance in the total amount of Six Million Five Hundred Thousand Dollars ($6,500,000) pursuant to, and in accordance with, Section 209 of the Illinois Insurance Code, 215 ILCS 5/209, subject to the approval of the Supervising Court. Centaur will classify and recommend the allowance of the 2017 Claims to the Supervising Court at statutory level (f) of the Illinois priorities of distribution statute, 215 ILCS 5/205(1)(f). If the Supervising Court grants such approval, the 2017 Claims shall be allowed and fixed in said amount for purposes of participating in any distribution of Centaur's estate assets at statutory priority level (f), 215 ILCS 5/205(1)(f). The United States does not object to the classification of the 2017 Claims at statutory priority level (f); provided, however, that the United States does not waive, and hereby reserves, the right to assert a different priority classification with respect to other federal claims against Centaur and federal claims in other insurance receiverships.

9. Of the total allowed amount of $6,500,000, $1,000,000 shall be paid with respect to the LCP Policy, $5,000,000 shall be paid with respect to the Avtex Fibers Policies, and $500,000 shall be paid with respect to the Sharon Steel Policy. The $1,000,000 paid with respect to the LCP Policy shall be paid to DOI and NOAA as follows: $967,000 shall be deposited in NOAA's Damage Assessment and Restoration Revolving Fund ("DARRF"), to be applied toward Natural Resource Damages assessment costs incurred by NOAA in connection with the LCP Linden Site, and $33,000 shall be deposited in DOI's Natural Resource Damage

Assessment and Restoration Fund ("NRDAR Fund"), to be applied toward Natural Resource Damages assessment costs incurred by DOI in connection with the LCP Linden Site. The $5,000,000 paid with respect to the Avtex Fibers Policies shall be paid to EPA and DOI as follows: $4,330,000 to EPA with respect to the Avtex Fibers Site and $670,000 to DOI with respect to the Avtex Fibers Site (of that amount, $200,000 to be deposited in the NRDAR Fund, to be applied toward Natural Resource Damages assessment costs incurred by DOI in connection with the Avtex Fibers Site, $381,370, including all interest earned on such funds, to be deposited in a segregated, site-specific sub-account within the NRDAR Fund, to be used by DOI for restoration activities to compensate the public for recreational injuries, but shall not be used to conduct assessment activities, $63,630, including all interest earned on such funds, to be deposited in a segregated, site-specific sub-account within the NRDAR Fund, to be used by DOI for restoration activities to compensate the public for aquatic injuries, but shall not be used to conduct assessment activities, and $25,000 to be used by DOI for restoration planning, implementation and monitoring). The $500,000 paid in connection with the Sharon Steel Policy shall be paid to EPA in connection with the Sharon Steel Site. With respect to the amounts to be paid to EPA, EPA shall deposit all cash distributions it receives into a special account for the site in question established by EPA within the Hazardous Substance Superfund pursuant to Section 122(b)(3), 42 U.S.C. § 9622(b)(3), to be retained and used to conduct or finance response actions at or in connection with the site in question, or to be transferred to the Hazardous Substance Superfund.

10. Cash distributions to the United States pursuant to this Settlement Agreement shall be made at https://www.pay.gov or by FedWire Electronic Funds Transfer in accordance with instructions, including a Consolidated Debt Collection System ("CDCS") number, to be

provided to the Rehabilitator by the United States Attorney's Office for the Northern District of Illinois. At the time of any cash distribution pursuant to this Agreement, the Rehabilitator shall transmit written confirmation of such distribution to the United States by U.S. mail and email (if an email address is provided) at the addresses specified below in Paragraph 26, and email confirmation of such distribution to the EPA Cincinnati Finance Office at cinwd_acctsreceivable@epa.gov, with a reference to DOJ Case Number 90-11-3-10462 and the following Site/Spill ID Numbers for the EPA payments: Avtex Fibers Site: 03D1; Sharon Steel Site: 03DX.

11. In consideration of the execution of this Agreement and the approval by the Supervising Court, the United States covenants not to file a civil action against the Rehabilitator or Centaur with respect to (a) all liabilities and obligations to DOI and NOAA under the LCP Policy arising pursuant to CERCLA, (b) all liabilities and obligations to EPA and DOI under the Avtex Fibers Policies arising under CERCLA, and (c) all liabilities and obligations to EPA under the Sharon Steel Policy arising under CERCLA, whether such liabilities and obligations are known or unknown, reported or unreported, and whether currently existing or arising in the future. As used in this paragraph, the terms Rehabilitator and Centaur shall include their respective subsidiaries, affiliates, parent companies, successors and assigns and their respective officers, directors and employees.

12. The United States specifically reserves, and this Agreement, including the provisions of Paragraph 11, is without prejudice to (a) any action seeking to impose criminal liability, (b) any action based on the failure to meet a requirement of this Agreement, (c) any claim based on any insurance policy other than the Subject Policies, (d) any claim of EPA, DOI or NOAA against Centaur under the Subject Policies based on liability under any statute other

than CERCLA, and (e) any claim of any federal agency or department, other than EPA, DOI or NOAA, with respect to the Subject Policies.

13. The covenant set forth in Paragraph 11 extends only to the persons set forth in Paragraph 11 and does not extend to any other person. The United States expressly reserves all claims, demands, and causes of action, either judicial or administrative, past, present, or future, in law or equity, which it may have against all other persons, firms, corporations, or entities for any matter arising at or relating in any manner to the LCP Linden Site, the Avtex Fibers Site, or the Sharon Steel Site or claims addressed herein. Further, nothing in this Agreement diminishes the right of the United States, pursuant to Section 113(f)(2) of CERCLA, 42 U.S.C. § 9613(f)(2), to enter into any settlement that gives rise to contribution protection for any person not a Party to this Agreement.

14. In consideration of the execution of this Agreement and the approval by the Supervising Court, the Rehabilitator and Centaur covenant not to sue the United States, or any department or agency thereof, with respect to any liabilities or obligations to DOI or NOAA under the LCP Policy, with respect to any liabilities or obligations to EPA or DOI under the Avtex Fibers Policies, or with respect to any liabilities or obligations to EPA under the Sharon Steel Policy, whether such liabilities and obligations are known or unknown, reported or unreported, and whether currently existing or arising in the future, including, but not limited to, (a) any direct or indirect claim for reimbursement from the Hazardous Substance Superfund established pursuant to 26 U.S.C. § 9507, (b) any claim under Sections 107 or 113 of CERCLA, 42 U.S.C. §§ 9607 or 9613, (c) any claims arising out of response activities at the LCP Linden Site, the Avtex Fibers Site, or the Sharon Steel Site, and (d) any claim to recover all or any part of the settlement amounts set forth in Paragraphs 8-9 of this Agreement.

15. Upon execution of this Agreement, and after approval of this Agreement by the Supervising Court, the 2017 Claims shall be fully resolved and terminated, with prejudice, with each Party bearing its own costs and fees in connection with the 2017 Claims and the negotiation and performance of this Agreement.

III. Remedies

16. In the event of a breach of this Agreement, the Parties to this Agreement shall have all rights and remedies available at common law.

17. This Agreement shall be governed by the laws of the State of Illinois with respect to any dispute arising under this Agreement between the Parties, except to the extent that federal law applies, without regard to conflict of laws principles.

IV. Court Approval

18. Within seven days after the Agreement has been signed by all signatories below, the Rehabilitator shall lodge the Agreement with the Supervising Court and, at such time, the United States shall publish a notice in the Federal Register stating that the Agreement is subject to a public comment period. The United States reserves the right to withdraw or withhold its consent if the comments regarding the Agreement disclose facts or considerations which indicate that the Agreement is not in the public interest. After the conclusion of the public comment period, the United States will notify the Rehabilitator as to whether or not it is going forward with the Agreement.

19. The Rehabilitator shall recommend the allowance of the 2017 Claims for approval to the Supervising Court, in accordance with the provisions of this Agreement, within 30 days of being informed by the United States that it is going forward with the Agreement. If the Supervising Court approves the Rehabilitator's recommendation and enters a final order

thereon, the Rehabilitator shall pay the United States the full amount set forth above, ($6,500,000.00), within 30 days of entry of the final order. In connection with the foregoing payment, the United States hereby agrees that the payment will not constitute a preferential payment with respect to any other claims, both known and unknown, of the United States or any of its agencies, and hereby covenants not to sue or pursue any action or claim(s), including claims under 31 U.S.C. §3713, against the Rehabilitator or Centaur, or any of their successors or agents, in the event that any claims that may arise or be settled in the future are not paid in full due to insufficient assets in the Centaur estate as a result of the foregoing payment or in the event that any such claims are not paid in full due to an insufficient amount of potential liability remaining under the Subject Policies as a result of the foregoing payment.

20. If for any reason (a) the Agreement is withdrawn or consent is withheld by the United States as provided in Paragraph 18, or (b) the Agreement is not approved by the Supervising Court: (i) this Agreement shall be null and void, and the Parties hereto shall not be bound under the Agreement or under any documents executed in connection herewith; (ii) the Parties shall have no liability to one another arising out of or in connection with this Agreement or under any documents executed in connection herewith; and (iii) this Agreement and any documents prepared in connection herewith shall have no residual or probative effect or value.

V. General

21. The Parties further acknowledge that this Agreement is made solely for the consideration specified herein, without reliance on any statement, warranties, or representations by the Rehabilitator, his duly appointed agents or representatives, Centaur, its agents or representatives, or by the United States or its agents or representatives, other than any representations and warranties contained herein.

22. The Parties understand and agree that this Agreement is a compromise in settlement of disputed liabilities, obligations and claims under the Subject Policies.

23. This Agreement shall constitute the entire agreement between the Parties and may not be altered, amended, modified or otherwise changed in any respect or particular whatsoever, except by written amendment duly executed by an authorized representative of each of the Parties. Material modifications shall be subject to the approval of the Supervising Court.

24. The recommended claim allowance made by this Agreement shall constitute a valuation of the 2017 Claims as set forth herein, and shall be binding upon the United States, the Acting Director of Insurance, as Rehabilitator, and Centaur, as to the amount and valuation of the 2017 Claims.

25. This Agreement may be executed and delivered in multiple counterparts, each of which, when so executed and delivered, shall be an original, but such counterparts shall together constitute one and the same instrument and agreement.

26. All notices, demands, accountings or other communications that either Party desires or is required to give to the other Party shall be given in writing by U.S. mail and email (if an email address is provided below). All such communications shall be sent to the individuals noted below or to such other individual(s) as a Party may designate in writing from time to time.

(a) If to the United States:

Chief, Environmental Enforcement Section
Environment and Natural Resources Division
U.S. Department of Justice
P.O. Box 7611
Washington, DC 20044
Ref. DOJ File No. 90-11-3-10462

Donald G. Frankel
Senior Counsel
U.S. Department of Justice
Environmental Enforcement Section
Environmental and Natural Resources Division
408 Atlantic Avenue
Suiter 236
Boston, MA 02110
donald.frankel@usdoj.gov

Barbara Gutierrez
Attorney-Advisor
United States Environmental Protection Agency
1200 Pennsylvania Avenue, N.W.
Washington, D.C. 20460
gutierrez.barbara@epa.gov

Amy Horner Hanley
Senior Attorney Advisor
Office of the Solicitor
Environmental Restoration Branch
US Department of the Interior
1849 C Street NW, MS 6316
Washington, DC 20240
amy.hanley@sol.doi.gov

Brianna C. Kenny
Attorney-Advisor
U.S. Department of the Interior
Office of the Solicitor, Northeast Region
15 State Street
8th Floor
Boston, MA 02019-3502
brianna.kenny@sol.doi.gov

Kimberly Katzenbarger
Attorney
National Oceanic and Atmospheric Administration
Office of General Counsel
Natural Resources Section
1315 East West Highway
Suite 15107
Silver Spring, MD 20910-3282
kimberly.katzenbarger@noaa.gov

Donna Roberts
DARRF Manager
NOAA/NOS/OR&R
1305 East West Highway
SSMC4, Room 10139
Silver Spring, MD 20910-3281
donna.roberts@noaa.gov

(b) If to Centaur:

Dale A. Coonrod
Deputy General Counsel
Office of the Special Deputy Receiver
222 Merchandise Mart Plaza, Suite 960
Chicago, IL 60654
dcoonrod@osdchi.com

With a copy to:

Brian T. Statter
General Adjuster
Office of the Special Deputy Receiver
222 Merchandise Mart Plaza, Suite 960
Chicago, IL 60654
bstatter@osdchi.com

27. This Agreement was reviewed and approved by counsel for both Parties and the language of all parts of this Agreement shall in all cases be construed as a whole according to their meaning and not strictly for or against either of the Parties.

IN WITNESS WHEREOF, the Acting Director of Insurance of the State of Illinois, as Rehabilitator of Centaur Insurance Company and on behalf of Centaur, and the EPA, DOI and NOAA execute this Agreement by their duly authorized officers or representatives.

UNITED STATES OF AMERICA

By: _____ Date: 5/30/19
Jeffrey Bossert Clark
Assistant Attorney General
Environment & Natural Resources Division
U.S. Department of Justice

By: _____ Date: 6/4/19
Donald G. Frankel
Senior Counsel
Environmental Enforcement Section
Environment and Natural Resources Division
U.S. Department of Justice
408 Atlantic Avenue
Suite 236
Boston, MA 02110

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

By: _____ Date: 4-29-2019

Cynthia L. Mackey
Director
Office of Site Remediation Enforcement
Office of Enforcement and Compliance Assurance
United States Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

By: _____ Date: 4-19-2019

Barbara Gutierrez
Attorney Advisor
Office of Enforcement and Compliance Assurance
United States Environmental Protection Agency
1200 Pennsylvania Avenue, NW
Washington, DC 20460

ROBERT H. MURIEL
ACTING DIRECTOR OF THE ILLINOS DEPARTMENT OF INURANCE
AS REHABILITATOR OF CENTAUR INSURANCE COMPANY

By: _____ Date: 4-18-19

J. Kevin Baldwin
General Counsel
Director of Receivership Operations
Office of the Special Deputy Receiver
222 Merchandise Mart Plaza, Suite 960
Chicago, Illinois 60654